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SUBJECT: UN DEMOCRACY FUND (UNDEF): OCT. 23 ADVISORY BOARD
MEETING

REF: STATE 112910

¶1. Summary: The UNDEF Advisory Board met Oct. 23 and as expected decided to proceed with a third round of projects. Applications will be accepted Nov. 10-Dec. 30. Regarding procedures, UN officials told the Board the Secretary-General wants the Permanent Missions of countries where UNDEF is funding projects to be so advised, and they said the SG will not go against the wishes of a sovereign nation opposed to an UNDEF project on its own territory. In the third round, therefore, Permanent Missions of those countries on the Board's short list of projects will be advised of the Board's recommendation before rather than after the list is submitted to the SG for final approval. If there is information Permanent Missions wish to draw to the Board's attention, said the officials, this can be done either in writing or at a meeting of the Board or its Expert Group. Should objections be raised, the Board will again take up the issue and determine whether to go ahead and recommend the project to the SG. As instructed, the United States objected to this procedure (reftel), while agreeing the SG should not be put in the position of being an appeals court for countries objecting to UNDEF decisions. India and Germany supported the procedure, however, and as no other Board members spoke up it was adopted. End summary.

¶2. The Advisory Board met Oct. 23 under the acting chairmanship of Amir Dossal, executive director of the UN Office for Partnerships, in the absence of Chairman Michael Doyle. UNDEF Executive Head Roland Rich also attended. Dossal announced the resignation of Board members Aye Aye Thant (U Thant Institute), Adebayo Olukoshi (Council for the Development of Social Science in Africa), and Ziad Abdel Samad (Arab NGO Network for Development). He said they would be replaced. Ambassador T. Vance McMahan represented the United States. Following is a summary of the Board's discussions.

FIRST ROUND

¶3. Of the 122 projects, 114 have submitted mid-term reports and these will be posted on the UNDEF website, said Dossal, as well as project evaluations as they become available. Responding to a question from Indian DPR Malhotra, Rich said the UNDEF secretariat would try to summarize the first-round results when more reports and evaluations are available.

SECOND ROUND

¶4. Of the 83 projects, 69 have completed project documents and of these all but 6 have begun to receive funds, the 6 being those for whom UNDP is the executing agency, in which case disbursement is still pending the signing of an MOU between UNDEF and UNDP. Dossal said the MOU would be signed within a month. Ambassador McMahan asked if the length of time between project selection and funds disbursement could be shortened in future rounds. Rich said the delay is due in part to the second-round innovation of disbursing funds only upon completion of agreed project milestones, which would not

be a problem in future rounds. He also said speed of disbursement depends in part on the quality of the project documents, pointing out that in the second round only a quarter of them were ready to go upon receipt.

THIRD ROUND

¶15. Rich said UNDEF has sufficient funds for a \$25 million third round, but will need to mobilize funds vigorously for a fourth round. German PR Matussek suggested reducing the number of projects to be funded in round three and limiting the round to \$20 million, and Romania and India agreed; but Australian PR Hill said it is too early to talk about downsizing UNDEF and the solution is to raise more money. "In global terms we're only running a handful of projects," said Hill, who also spoke in favor of emphasizing project merit in the selection process: "If one country ends up with two or three projects, so be it," he said. Rich responded that prior UNDEF experience would also be a factor in project selection, citing the loss of four projects in Latin America in the first and second rounds; and project need would be a factor too, as the Board's Expert Group had agreed.

¶16. Ambassador McMahan supported Australia and called for aggressive fundraising. On project selection, he said, "The U.S. believes strongly that UNDEF should fund programs where the need is greatest," adding UNDEF should be very clear that it is seeking projects in transitioning or fragile democracies only and will not consider projects in well-established democracies. On notifying host governments of projects recommended for approval, he expressed strong concern, saying it is vital that any process not be misinterpreted as a request for permission to operate, which

would undermine UNDEF's added value as an entity not beholden to the permission or the priorities of the host government and could scare away qualified NGOs fearing harassment from authoritarian governments. If the majority of the Board insists on some form of notification, he said, we agree with the position of Australia that this notification should be sent after the Secretary-General has approved the list rather than before. To do otherwise would only send a message that governments have a veto. If countries object to a project approved by the Board, he said, they should do so in writing and the Board will need strict criteria to deal with such objections.

¶17. Dossal said the SG will not go against the wishes of a sovereign nation opposed to an UNDEF project on its own territory. By providing a way for the Board to take national information into account, he said, it will relieve some of the burden on the SG. Indian DPR Malhotra agreed, saying the Board is an advisory body, not an executive one, and should have the benefit of local information it might not receive from any other source. This procedure will strengthen the Board's decisions, he said. Rich said the SG wants Permanent Missions of countries where UNDEF is funding projects to be so advised. UNDEF's project selection process retains its integrity under the new procedures, he insisted, and governments are not involved in it. German PR Matussek supported India, saying so far only one government has objected to an UNDEF project, indicating a problem if it exists is very small. Ambassador McMahan said the SG should not be put in the position of being an appeals court for countries objecting to UNDEF decisions, and any objections by host countries should be sent back to the Board and should be substantive in nature.

¶18. As no other Board member took the floor, Dossal concluded the Board had agreed that its final recommendation on projects to be funded would be made after "full consultation," i.e., notification to the relevant Permanent Missions. The SG relies on the Board's recommendations, he said, and does not intend to pick and choose among them. Dossal said he hoped the new procedure would serve in more than 99 percent of cases.

¶9. Rich said the Board could wait until its next meeting, in April 2009, to decide how much money to spend in the third round. He said UNDEF will again refrain from advertising the round commercially, but will rely on Board members (through the websites of their aid agencies and foreign ministries) and NGOs to get out the word. (On Oct. 30 we emailed the UNDEF announcement of the third round to IO/RHS.)

MONITORING AND EVALUATION

¶10. Rich said UNDEF has put in place a much more rigorous means of project monitoring in round two, using four methods: monitoring by UNDEF itself, by the executing agency, by Deloitte and Touche through its pro bono agreement with UNDEF, and by UNDP (however the MOU with UNDP covering monitoring is still with the UN's lawyers). Ambassador McMahan asked who determines project milestones and Rich said they are negotiated with the NGOs in the project document. The milestones should be "significant observable events," said Rich. He also said monitoring reports, but not project evaluations, would be posted on the UNDEF website. Evaluation is a high-cost element, said Rich. UNDEF will need to resort to commercial evaluators, as do other UN agencies such as UNIFEM and UNDP. The expenditure on evaluation, however, usually comes at the end of a project, although in a small number of cases, said Rich, projects will be selected for continuous evaluation. He said UNDEF has just under \$2 million in an evaluation fund. India suggested the subject of project evaluation be on the agenda of the next Board meeting (scheduled tentatively for April 2009).

ADVISORY BOARD COMPOSITION IN 2009

¶11. As instructed in reftel, the United States representative stressed the need for continuity and said the manner of selecting donor members of the Board should not change for now. Australia, India and Japan agreed. Germany, however, said the Board needs to discuss reform of its terms of reference in order to attract new contributions, and France said pledges as well as contributions should be taken into account in selecting donor members. Dossal concluded there would be no changes for now, but said UNDEF will consult informally with Board members.

UNDEF BUDGET FOR 2009

¶12. Rich said UNDEF expects to keep its administrative expenses to below \$2 million, despite the creation of an additional position of program officer at the P-3 level.

Germany questioned a projected increase of \$61,900 for reimbursement to management/support units and Rich said this is due to an item the secretariat did not budget for in 2008.

Dossal pointed out that \$2 million is only four percent of program costs.

Khalilzad